

INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
SUPPLEMENTARY  
FUND

ASSEMBLY  
3rd session  
Agenda item 8

SUPPFUND/A.3/6  
10 July 2007  
Original: ENGLISH

2006 FINANCIAL STATEMENTS  
AND  
AUDITOR'S OPINION

Note by the Director

**Summary:** The financial statements and the Auditor's Opinion are set out.

**Action to be taken:** Approval of financial statements.

- 1 The financial statements of the Supplementary Fund are audited by the Comptroller and Auditor General of the United Kingdom.
- 2 Under Article 16.2 of the Supplementary Fund Protocol, read in conjunction with Article 29.2(f) of 1992 Fund Convention, the Director has prepared the financial statements of the Supplementary Fund for the financial year 2006. The Director has also prepared comments on the financial statements. These comments are at Annex I.
- 3 In keeping with best practice the Director has included a Statement of Internal Control which provides positive confirmation of the internal control framework. The statement is at Annex II.
- 4 In view of the limited financial activity of the Supplementary Fund for that financial year, the External Auditor has decided not to produce any Report on the accounts of that period. Under Financial Regulation 14.16 the External Auditor shall express an opinion on the financial statements on which he is reporting. This Opinion is at Annex III.
- 5 Financial Regulation 12.3 provides that the financial statements to be prepared by the Director shall comprise of the following:
  - (a)
    - (i) a Statement of Appropriations and Obligations Incurred;
    - (ii) Income and Expenditure Accounts for all funds;
    - (iii) a Balance Sheet;
    - (iv) a Cash Flow Statement;
  - (b) such notes as may be necessary for a better understanding of the financial statements, including a statement of the significant accounting policies and details of contingent liabilities.



6 The following financial statements for the period 2006 are submitted herewith:

Statement I Statement of Budget Appropriations and Obligations Incurred in respect of the General Fund for the financial period 1 January - 31 December 2006

Statement II Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2006

Statement III Balance Sheet of the Supplementary Fund as at 31 December 2006

7 No Cash Flow Statement has been provided, since no income was received for the financial year 2006. As there was no incident that involved the Supplementary Fund during that period, there is no schedule of contingent liabilities

8 The certified financial statements for the financial period 1 January - 31 December 2006 are at Annex IV.

**Action to be taken by Assembly**

9 The Assembly is invited to consider the External Auditor's Opinion and to approve the financial statements for the financial period 1 January - 31 December 2006.

\* \* \*



## ANNEX I

# INTERNATIONAL OIL POLLUTION COMPENSATION SUPPLEMENTARY FUND

## DIRECTOR'S COMMENTS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD 1 JANUARY TO 31 DECEMBER 2006

### 1 Introduction

- 1.1 The International Oil Pollution Compensation Funds (IOPC Funds) are intergovernmental organisations which provide compensation for oil pollution damage resulting from spills of persistent oil from tankers. The International Oil Pollution Compensation Fund 1971 (1971 Fund) was established in October 1978. It operates within the framework of two international Conventions: the 1969 International Convention on Civil Liability for Oil Pollution Damage (1969 Civil Liability Convention) and the 1971 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (1971 Fund Convention), both as amended in 1992 by two Protocols. The amended Conventions, known as the 1992 Civil Liability Convention and the 1992 Fund Convention, entered into force on 30 May 1996. The International Oil Pollution Compensation Fund 1992 (1992 Fund) was set up under the 1992 Fund Convention. The 1971 Fund Convention ceased to be in force on 24 May 2002 and does not apply to incidents occurring after that date. However, before the 1971 Fund can be wound up, all pending claims arising from incidents occurring before that date in 1971 Fund Member States will have to be settled and paid and any remaining assets distributed among contributors.
- 1.2 A Protocol to the 1992 Fund Convention adopted in 2003 resulted in the establishment of the International Oil Pollution Compensation Supplementary Fund 2003 (Supplementary Fund), which provides an optional third tier of compensation. The Protocol entered into force on 3 March 2005. Any State Party to the 1992 Fund Convention may become Party to the Protocol and thereby become a Member of the Supplementary Fund
- 1.3 The total amount of compensation payable for any one incident for pollution damage in the States which become party to the Supplementary Fund Protocol is 750 million SDRs<sup><1></sup> which at 31 December 2006 corresponded to £576 million. This amount includes the amount payable under the 1992 Civil Liability and Fund Conventions.
- 1.4 The Supplementary Fund has an Assembly composed of all Member States. The Assembly is the supreme governing body of the Organisation having *inter alia* the responsibility for financial matters.
- 1.5 By the end of 2006, 19 States were Members of the Supplementary Fund and one further State had acceded to the Supplementary Fund Protocol, bringing the number of Member States to 20 by early 2007 (see page 5).

### 2 Secretariat

- 2.1 The IOPC Funds have a joint Secretariat, based in London, headed by one Director. Mr Willem Oosterveen took over as Director of the IOPC Funds from Mr Måns Jacobsson with

<1> The SDR which is the unit of account used in the Conventions and the Protocol referred to in paragraph 1.3 is valued on the basis of a basket of key international currencies and serves as the unit of account of the International Monetary Fund (IMF) and a number of other intergovernmental organisations.

effect from 1 November 2006. The 1992 Fund Secretariat administers the 1971 Fund and the Supplementary Fund.

- 2.2 As at 31 December 2006 the Secretariat had 31 established posts. The Funds use external consultants to provide advice on legal and technical matters as well as on matters relating to management. In connection with a number of major incidents the Funds and the shipowner's third party liability insurer involved have jointly established local claims offices to facilitate the efficient handling of the great numbers of claims submitted and in general to assist claimants.

### 3 Audit Body

- 3.1 The governing bodies of the IOPC Funds have established a joint Audit Body for the three Funds, composed of seven members elected by the 1992 Fund Assembly: one named Chairman nominated by 1992 Fund Member States, five named individuals nominated by 1992 Fund Member States and one named individual not related to the Organisations with expertise and experience in audit matters nominated by the Chairman of the 1992 Fund Assembly.

- 3.2 The Audit Body has the following mandate:

- review the effectiveness of the Organisations regarding key issues of financial reporting, internal controls, operational procedures and risk management;
- promote the understanding and effectiveness of the audit function within the Organisations, and provide a forum to discuss internal controls, operational procedures and matters raised by the external audit;
- discuss with the External Auditor the nature and scope of each forthcoming audit;
- review the Organisations' financial statements and reports;
- consider all relevant reports by the External Auditor, including reports on financial statements; and
- make appropriate recommendations to the governing bodies.

- 3.3 The Audit Body met in March, June and December 2006 and informally in October 2006 at the time of the October 2006 sessions of the governing bodies.

### 4 Investment Advisory Body

The governing bodies of the IOPC Funds have established a joint Investment Advisory Body, consisting of three experts with specialist knowledge in investment matters elected by the 1992 Fund Assembly to advise the Director in general terms on such matters.

### 5 Financial Overview

- 5.1 There is an income and expenditure account for the General Fund. The General Fund covers the Supplementary Fund's expenses for the administration, including the Supplementary Fund's share of the costs of running the joint Secretariat. Separate Claims Funds will be established for incidents in respect of which the Supplementary Fund will be called upon to pay compensation. There have been no incidents that have involved the Supplementary Fund.

- 5.2 The Supplementary Fund is financed by contributions paid by any person who has received in the relevant calendar year in excess of 150 000 tonnes of crude oil or heavy fuel oil (contributing oil) in ports or terminal installations in a Member States after carriage by sea. The levy of contributions is based on reports of oil receipts in respect of individual contributors, which are submitted to the Secretariat by Governments of Member States. Where the aggregate quantity of contributing oil received in a Supplementary Fund Member State in a given calendar year is less than one million tonnes, the Member State will be liable to pay contributions for a quantity of

contributing oil corresponding to the difference between one million tonnes and the aggregate quantity of actual contracting oil receipts reported in respect of that State.

- 5.3 As requested by the Supplementary Fund Assembly and as authorised by the 1992 Fund Assembly, the Director made necessary funds available to the Supplementary Fund in the form of loans to be repaid, with interest, when the Supplementary Fund had received the first levy of contributions to be decided by its Assembly.
- 5.4 The Supplementary Fund Assembly decided at its October 2005 session that since there had been no incidents which would require that Fund to pay compensation and in the light of the decision of the 1992 Fund Assembly referred to in paragraph 5.3, there was no need for contributions to be levied to the Supplementary Fund for payment in 2006.
- 5.5 At its October 2006 session the Supplementary Fund Assembly decided to levy contributions to the General Fund of £1.4 million (including £1 million working capital) for payment in 2007 when the loans and interest on the loans shall be repaid to the 1992 Fund.
- 5.6 The total obligations incurred by the Supplementary Fund in 2006 amounted to £81 996 compared to a budget appropriation for 2006 of £85 000 (**Statements I and II**).
- 5.7 At their October 2005 sessions the Supplementary Fund Assembly and the 1992 Fund Assembly decided that the Supplementary Fund should pay to the 1992 Fund a flat management fee towards the cost of running the joint Secretariat. The fee was set in the budget at £70 000 for the 2006 financial period (documents SUPPFUND/A/ES.1/21, paragraph 17.4 and Annex and 92FUND/A.10/37, paragraph 28.4 and Annex) compared to a management fee paid in 2005 of £125 000 (since the Supplementary Fund Protocol entered into force on 3 March 2005 £130 000 pro-rated for the period 3 March -31 December 2005). The management fee was set based on the estimated number of working days that the entire Secretariat would have to spend on Supplementary Fund matters. It was estimated that five working days would be spent by the Secretariat on such matters in 2006, resulting in a fee of £70 000.
- 5.8 The obligations incurred also include an amount of £8 496 being the interest charged in 2006 on loans made by the 1992 Fund to the Supplementary Fund.
- 5.9 The joint Secretariat's administrative expenses for 2006 amounted to £3 288 685, including the fees for the External Auditor. The total obligations incurred in 2006 were 8.7% lower than the 2006 budget appropriation of £3 601 900 and 15% higher than total obligations incurred in 2005 of £ 2 859 699.
- 5.10 The External Auditor's fees for the audit of the financial statements for the three Funds were £60 500 broken down between the Funds as follows.
- |                    |         |
|--------------------|---------|
| 1992 Fund          | £47 000 |
| 1971 Fund          | £10 000 |
| Supplementary Fund | £3 500  |
- 5.11 Expenses for running the joint Secretariat were made under six Chapters as set out below. Comments on expenditures by Chapter are given in the 1992 Fund's Financial Statements for 2006 (document 92FUND/A.12/8, Annex I, paragraphs 5.14 – 5.28).

Chapter	2006 budget appropriations	2006 revised budget appropriations	2006 Obligations incurred		Balance of appropriations
	£	£	£	%	£
I Personnel	2 086 500	2 086 500	1 998 321	60.7	88 179
II General services	757 400	757 400	536 003	16.3	221 397
III Meetings	150 000	176 638	176 638	5.4	-
IV Travel	160 000	145 000	143 991	4.4	1 009
V Miscellaneous expenditure	388 000	433 732	433 732	13.2	-
VI Unforeseen expenditure	60 000	2 630	-	-	2 630
<b>Total</b>	<b>3 601 900</b>	<b>3 601 900</b>	<b>3 288 685</b>	<b>100.00</b>	<b>313 215</b>

5.12 Excess expenditure resulting in revised budget appropriations were met by three budgetary transfers as provided in the 1992 Fund's Financial Regulations. Two further transfers were made which were authorised by the 1992 Fund Assembly at its October 2005 and 2006 sessions.

5.13 As at 31 December 2006 a total of £259 738 was due to the 1992 Fund by the Supplementary Fund (**Statement III**). The total loans taken from the 1992 Fund amounted to £246 447 and cumulative interest on these loans amount to £13 291.



Willem Oosterveen  
Director  
22 June 2007

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**1992 Fund Member States which are Party to the Supplementary Fund Protocol  
as at 31 December 2006**

<b>19 States for which Supplementary Fund Protocol is in force</b>		
Barbados	Ireland	Portugal
Belgium	Italy	Slovenia
Croatia	Japan	Spain
Denmark	Latvia	Sweden
Finland	Lithuania	United Kingdom
France	Netherlands	
Germany	Norway	
<i>1 State which has deposited instrument of accession, but for which the Supplementary Fund Protocol does not enter into force until date indicated</i>		
Greece		23 January 2007



National Audit Office

## ANNEX II

# INTERNATIONAL OIL POLLUTION COMPENSATION SUPPLEMENTARY FUND

## STATEMENT OF INTERNAL CONTROL

### *Scope of Director's responsibility*

Under Article 16 of the Supplementary Fund Protocol, read in conjunction with Article 28.2 of the 1992 Fund Convention, the Director shall be the legal representative of the International Oil Pollution Compensation Supplementary Fund (Supplementary Fund). Each Contracting State shall, pursuant to Article 2.2 of the Supplementary Fund Protocol, recognise the Director as the legal representative of the Supplementary Fund.

Under Article 16.2 of the Supplementary Fund Protocol read in conjunction with Article 29.1 of the 1992 Fund Convention the Director shall be the chief administrative officer of the Supplementary Fund. As chief administrative officer, the Director has responsibility for maintaining a sound system of internal control that supports the achievement of the Supplementary Fund's policies, aims and objectives, whilst also safeguarding the Supplementary Fund's assets.

As a result of these provisions, the Director has the authority, vis-à-vis third parties, to commit the Supplementary Fund without restrictions, unless the third party concerned has been informed of any limitation of this authority decided by the Assembly.

The Director is however bound by any restriction of his authority decided by the Supplementary Fund Assembly. He may delegate his authority to other officers within the limits laid down by the Assembly.

The International Oil Pollution Compensation Fund 1971 (1971 Fund), the International Oil Pollution Compensation Fund 1992 (1992 Fund) and Supplementary Fund, together referred to as the IOPC Funds, have a joint Secretariat headed by one Director. The 1992 Fund administers the joint Secretariat and staff members are therefore employed by the 1992 Fund.

Pursuant to the authority given and within the limits laid down by the IOPC Funds' governing bodies the Director has delegated his authority to other officers by Administrative Instructions.

The Director is assisted by a Management Team comprising of the Deputy Director / Technical Adviser, the Legal Counsel, the Head of the Claims Department, the Head of the Finance and Administration Department and the Head of the External Relations and Conference Department for the day to day running of the joint Secretariat.

### *Statement on the system of internal control*

The Director has the responsibility for maintaining a sound system of internal control that supports the work of the Supplementary Fund. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.



At its 1st session in March 2005 the Supplementary Fund Assembly decided that the Supplementary Fund should have a joint Audit Body with the 1992 Fund and 1971 Fund. The Audit Body meets formally three times a year. The Audit Body has the mandate to review the effectiveness of the Organisation regarding key issues of financial reporting, internal controls, operational procedures and risk management, to review the Organisation's financial statements and reports, and to consider all relevant reports by the External Auditor, including reports on the Organisation's financial statements. This additional oversight provides further assurance that appropriate internal controls are in place.

### ***Capability to handle risk***

During 2006 the Director continued a review of the IOPC Funds' risk management and the work carried out towards developing a risk register. In close cooperation with the Audit Body, and with the assistance of external consultants and the External Auditor, five areas of risk have been identified, namely: reputation risk, claims handling process, financial risk, human resource management and business continuity.

Under these five areas, with the assistance of external consultants, the sub risks are being mapped and assessed following which the process and procedures for management of these risks will be documented. This exercise will allow the IOPC Funds to prioritise the key risks and to ensure that these risks have been adequately mitigated. The Audit Body and the External Auditor have made valuable contributions to the work in this field.

### ***The risk and control framework***

The system of internal control is based on an on going process designed to ensure conformity with the Supplementary Fund Protocol, the Financial Regulations, the Internal Regulations and decisions of the Supplementary Fund Assembly.

At its 1st session held in March 2005 the Supplementary Fund Assembly adopted the Financial Regulations and Internal Regulations necessary for the proper functioning of the Supplementary Fund.

At its 1st session the Supplementary Fund Assembly also decided that it should have a joint Investment Advisory Body with the 1971 Fund and 1992 Fund. This Body advises the Director on relevant procedures for investment and cash management controls. The Body monitors, on a quarterly basis, the credit ratings of financial institutions and reviews the credit ratings of such institutions that meet the IOPC Funds' investment criteria. The Body also reviews the IOPC Funds' investments and foreign exchange requirements to ensure that reasonable investment returns are achieved without compromising the IOPC Funds' assets. The Body reports to the Supplementary Fund Assembly on an annual basis.

### ***Review of effectiveness***

The review of the effectiveness of the system of internal control is carried out through the work of the Audit Body and comments of the External Auditor. Any recommendations made by the External Auditor in his management letter and other Reports are considered and a plan to address any identified weakness and to ensure continuous improvement of the current system is agreed.

At their meetings in March 2003 the Audit Bodies of the 1971 Fund and 1992 Fund took the view that an internal audit function would be an unnecessary burden and expense on an organisation the size of the IOPC Funds. The Director will keep this issue under review.

I have concluded that there existed an effective system of internal control for the financial year 2006.



**Willem Oosterveen**  
Director  
22 June 2007



NATIONAL AUDIT OFFICE

ANNEX III

FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL POLLUTION  
COMPENSATION SUPPLEMENTARY FUND FOR THE PERIOD 1 JANUARY TO 31  
DECEMBER 2006

AUDIT OPINION

To: the Assembly of the International Oil Pollution Compensation Supplementary  
Fund

I have audited the accompanying financial statements, comprising Statements I to III and the supporting Notes of the International Oil Pollution Compensation Supplementary Fund for the financial period ended 31 December 2006. These financial statements are the responsibility of the Director. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2006 and the results of operations for the period then ended in accordance with the Supplementary Fund's stated accounting policies set out in Note 1 of the financial statements.

Further, in my opinion, the transactions of the Supplementary Fund, which I have tested as part of my audit have in all significant respects been in accordance with the Financial Regulations and legislative authority.

I have no observations to make on these financial statements.



Sir John Bourn  
Comptroller and Auditor General  
United Kingdom  
External Auditor

National Audit Office  
London, 17 June 2007



**ANNEX IV**

**FINANCIAL STATEMENTS  
OF THE INTERNATIONAL OIL  
POLLUTION COMPENSATION SUPPLEMENTARY FUND  
FOR THE FINANCIAL PERIOD  
1 JANUARY - 31 DECEMBER 2006**

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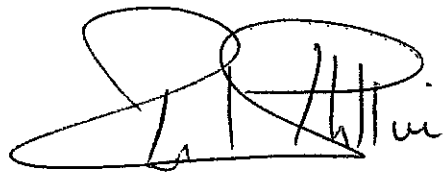


**CERTIFICATION OF THE FINANCIAL STATEMENTS**

The appended financial statements numbered I to III are certified.



Willem Oosterveen  
Director



Ranjit S P Pillai  
Head Finance & Administration Department





National Assemblée

GENERAL FUND

STATEMENT OF BUDGET APPROPRIATIONS AND OBLIGATIONS INCURRED FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2006

CLASS OF EXPENDITURE	BUDGET APPROPRIATIONS		REVISED BUDGET APPROPRIATIONS		OBLIGATIONS INCURRED		BALANCE OF APPROPRIATIONS	
	2006	2005	2006	2005	2006	2005	2006	2005
I Management fee payable to 1992 Fund	70 000	125 000	70 000	125 000	70 000	125 000	-	-
II Administrative costs	15 000	50 000	15 000	50 000	11 996	5 000	3 004	45 000
III Loans made by the 1992 Fund before 3 March 2005 with interest	-	50 000	-	50 000	-	47 742	-	2 258
<b>TOTAL OBLIGATIONS</b>	<b>85 000</b>	<b>275 000</b>	<b>85 000</b>	<b>225 000</b>	<b>81 996</b>	<b>177 742</b>	<b>3 004</b>	<b>47 258</b>

\* Financial period 3/3/2005-31/12/2005

STATEMENT II

**GENERAL FUND**

INCOME AND EXPENDITURE ACCOUNT FOR THE  
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2006

	Note	2006	2005 *
<b>INCOME</b>			
		£	£
		NIL	NIL
<b>EXPENDITURE</b>			
<b>Secretariat expenses (Statement I)</b>			
Obligations incurred	2	81,996	177,742
<b>Total expenditure</b>		84,002	177,742
(Shortfall)/excess of income over expenditure		(84,002)	(177,742)
Balance b/E: 1 January		(177,742)	-
<b>Balance as at 31 December</b>		(261 744)	(177 742)

\* Financial period 3/3/2005-31/12/2005

Approved by the Council on 12/12/2006



STATEMENT III  
**BALANCE SHEET OF THE SUPPLEMENTARY FUND AS**  
**AT 31 DECEMBER 2006**

		2006	2005
		Total	Total
		£	£
<b>ASSETS</b>			
<b>TOTAL ASSETS</b>		NIL	NIL
<b>LIABILITIES</b>			
Due to 1992 Fund	3	259 738	177 742
<b>TOTAL LIABILITIES</b>		259 738	177 742
<b>GENERAL FUND BALANCE</b>		(259 738)	(177 742)
<b>TOTAL LIABILITIES AND GENERAL FUND BALANCE</b>		NIL	NIL

## NOTES TO FINANCIAL STATEMENTS

### 1 Significant Accounting Policies

In accordance with the Supplementary Fund's Financial Regulation 12.3(b) and in compliance with United Nations accounting standards where appropriate, the principal accounting policies followed in arriving at the financial information given in the respective statements are set out below.

#### (a) Rules and procedures

The financial statements are prepared in accordance with the Financial Regulations of the Supplementary Fund, and in compliance with the provisions of the Supplementary Fund Protocol and the Internal Regulations of the Supplementary Fund.

#### (b) Basis of preparation

The accounts are prepared on the basis of a General Fund only.

The financial year is the calendar year.

#### (c) Accounting convention

The accounts are prepared under the historical cost convention.

#### (d) Administrative expenditure

Expenditure comprises of obligations incurred in respect of the current budget year.

Obligations are recorded on the basis of contracts, purchase orders, agreements or other forms of legal undertaking.

The amounts are net of Value Added Tax.

### 2 Obligations incurred

At their October 2005 sessions the Supplementary Fund Assembly and the 1992 Fund Assembly decided that the Supplementary Fund should pay a flat management fee towards the cost of running the joint Secretariat. The fee was set in the budget at £70 000 for the period 1 January to 31 December 2006 (documents SUPPFUND/A/ES.1/21, paragraph 17.4 and Annex and 92FUND/A.10/37, paragraph 28.4 and Annex).

The figure of £81 996 is made up as follows:

	£
Management fee payable to the 1992 Fund	70 000
External Auditor's fee	3 500
Interest for 2006 on loans made by 1992 Fund	<u>8 496</u>
	<u>81 996</u>

The management fee includes expenses incurred with respect to the Assembly sessions and the Supplementary Fund's share of the cost of running the joint Secretariat.

3 **Amount due to the 1992 Fund**

At the request of the Supplementary Fund Assembly at its October 2005 session, the 1992 Fund Assembly authorised the Director to make necessary funds available to the Supplementary Fund in the form of loans to be repaid, with interest, when the Supplementary Fund had received the first levy of contributions to be decided by its Assembly.

As at 31 December 2006 the total amount due to the 1992 Fund was £259 738 made up of loans and interest on loans as set out below.

The loans from the 1992 Fund amounted to £246 447.

<i>Year</i>	<i>Loan amount</i>
Prior to 3 March 2005	£42 947
4 March-31 December 2005	£130 000
During 2006	<u>£73 500</u>
Total	<u>£246 447</u>

Interest on loans is calculated at a preferential rate of 0.25% above the lowest London clearing bank base rate. The interest on loans amounted to £13 291.

<i>Year</i>	<i>Interest for the year</i>
2004	£2 592
2005	£2 203
2006	<u>£8 496</u>
Total	<u>£13 291</u>

4 **General Fund balance**

The figure of £259 738 represents the excess of Expenditure over Income in respect of the General Fund.

\* \* \*